

City of San José Department of Housing WelcomeHome Loan Assistance Program

The Program

The Welcome Home Loan Assistance Program offers a loan up to **\$25,000** for down payment assistance at **3%** simple interest for lower-income first-time homebuyers.

Borrower Eligibility

- The household income cannot be greater than the amount shown below. Household income is the income received from all household members, including adult children, parents, and non-applicant spouses:

<i>Household Size</i>	<i>Maximum Qualifying Income</i>
1	\$ 59,400
2	67,900
3	76,400
4	84,900
5	91,650

- Normally, the borrower and any co-borrower(s) cannot have owned a home as a principal residence for the past three years. An exception is allowed for a “displaced homemaker” or a single parent who, while married, owned a home with his or her spouse.
- The borrower and any other co-borrowers must have minimum credit scores of at least 620.
- Normally, the borrower must obtain a 30-year fully amortized fixed rate mortgage. Also, the maximum housing cost-to-income ratio is 43% (the minimum housing ratio is 28%), and the maximum total debt-to-income ratio is 48%.
- The total amount financed cannot exceed 100% (including any upfront PMI) of the sales price. Therefore, the City funds can only be used for downpayment assistance. The use of City funds for closing costs, buydowns, or prepaids are not eligible (max CLTV 100%).
- All homes must be “owner occupied” for the life of the loan and “cash-out” refinances are not allowed.
- Borrowers may not have greater than \$60,000 in liquid assets at the close of escrow. In addition, the City will add inferred income from all capital accounts, including retirement accounts.
- A minimum household size of two persons is eligible to purchase a three-bedroom home and a three-person household is eligible to purchase a four bedroom home, etc.

- The home must be located within the municipal boundaries of the City of San José (cannot be located in county pockets). If the home is located in a Special Hazard Flood Area zone, the applicant will be required to obtain flood insurance.
- Borrowers can purchase single-family homes, town homes, and condominiums with a maximum purchase price not greater than 95% of the Area Median sales price. The current sales price limit is therefore set at \$641,250.
- The Household is comprised of ALL individuals who will be occupying the home over the upcoming twelve months. For additional information, refer to the City's underwriting guidelines.
- Borrowers may be represented by any lender of their choosing. However, the City has compiled a [List of Lenders](#) who have actively participated in previous City-down payment programs.

Financial Terms

Loan Security--The loan is secured by a recorded deed of trust.

Amount Required for Down Payment/Closing Costs— While the transaction may be 100% financed, the City does require a minimum buyer contribution of 1% of the sales price, from his/her own funds, to close the transaction.

Loan Repayment Term(s)-- The City loan is due and payable in 30 years or upon transfer of title, or when the borrower fails to occupy the home as a primary residence.

Interest Rates of City loan – The interest rate is 3% simple interest, no prepayment penalty.



Amortization Schedule for the \$25,000 loan:

Year	interest	Balance	Year	Interest	Balance
1	\$750	\$25,750	16	\$750	37,000
2	750	26,500	17	750	37,750
3	750	27,250	18	750	38,500
4	750	28,000	19	750	39,250
5	750	28,750	20	750	40,000
6	750	29,500	21	750	40,750
7	750	30,250	22	750	41,500
8	750	31,000	23	750	42,250
9	750	31,750	24	750	43,000
10	750	32,500	25	750	43,750
11	750	33,250	26	750	44,500
12	750	34,000	27	750	45,250
13	750	34,750	28	750	46,000
14	750	35,500	29	750	46,750
15	750	36,250	30	750	47,500

If you continue to own your home at the end of the thirty years, you will receive a balloon payment notice from the City of San José in the amount of \$47,500 (\$25,000 loan original balance plus \$22,500 interest).

Application Process

- Determine that you are eligible for the City down payment program by reviewing this form. This form has provided a summary of the [City's underwriting guidelines](#).
- Contact a lender to become pre-approved for a home loan. Your lender will ask you to sign the [City application](#) and this program summary. Your lender will forward these items to the City of San Jose at a later date. Lenders are encouraged to review the underwriting guidelines prior to determining the eligibility of the applicant, this should be done at the pre-qualifying stage of the process.
- The buyer(s) must complete a HUD-approved 8-hour homebuyer education class. The City requires potential buyer(s) to complete the course offered through Project Sentinel, call (408) 720.9888 or email to: sjworkshops@housing.org to sign-up (\$30 per person or per couple cost). No other homebuyer education provider
- Work with a real estate agent of your choice to assist you in the search of your new home.
- Sign final loan documents at the title company.
- Move in and enjoy your home!

For more information contact Tomasa Moreno at (408) 975.4448 or tomasa.moreno@sanjoseca.gov, or Korey Richardson at (408) 975.4468 or korey.richardson@sanjoseca.gov.

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